

AMENDED IN ASSEMBLY AUGUST 31, 2015

AMENDED IN ASSEMBLY AUGUST 17, 2015

AMENDED IN SENATE JUNE 2, 2015

AMENDED IN SENATE MAY 12, 2015

AMENDED IN SENATE APRIL 6, 2015

## **SENATE BILL**

**No. 513**

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### **Introduced by Senator Beall**

February 26, 2015

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An act to amend Sections 41081, 44223, 44225, 44229, 44233, 44275, 44281, 44282, 44283, 44286, 44287, 44287.1, 44287.2, 44288, 44291, and 44299.2 of, and to amend and repeal Section 44299.1 of, the Health and Safety Code, relating to vehicular air pollution.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 513, as amended, Beall. Carl Moyer Memorial Air Quality Standards Attainment Program: fees.

(1) Existing law authorizes the Sacramento Metropolitan Air Quality Management District to adopt a \$6 surcharge on motor vehicle registration fees applicable to motor vehicles registered within the district. Existing law requires the collected fees to be used for specified purposes, including, among others, awarding grants eligible for funding under the Carl Moyer Memorial Air Quality Standards Attainment Program.

This bill would additionally authorize those fees to be used for projects that involve alternative fuel and electric infrastructure, as specified.

(2) Existing law authorizes an air pollution control or air quality management district, except the Sacramento district, that has been

designated by the State Air Resources Board as a state nonattainment area for any pollutant emitted by motor vehicles to levy a fee of up to \$6 on motor vehicles registered within the air district, subject to specified conditions.

This bill instead would authorize any air district, except the Sacramento district, regardless of its state attainment designation to levy a fee of up to \$6 on motor vehicles registered within the air district. The bill also would authorize those fees to be used for the attainment or maintenance of state or federal ambient air quality standards or the reduction of toxic air contaminant emissions from motor vehicles and for alternative fuel and electric infrastructure projects, as specified.

(3) Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the state board, to provide grants to offset the incremental cost of eligible projects that reduce emissions of air pollutants from vehicular sources in the state and for the funding of a fueling infrastructure demonstration program and technology development efforts.

This bill would revise and recast provisions of the program, including, among others, changing the definition of covered source to include any marine vessel and any other category necessary for the state and air districts to meet air quality goals; authorizing the state board to adjust, rather than just reduce, the values of the maximum grant award criteria to improve the ability of the program to achieve its goals; authorizing the state board to reserve up to 10% of the program moneys available each year to directly fund any project that is a covered source, as defined, or a specified eligible project; removing the prohibition on using specified motor vehicle registration fees as matching funds; requiring the state board, instead of the State Energy Resources Conservation and Development Commission, to publish procedures to monitor and audit infrastructure projects; increasing the authorization for support and outreach costs from not more than 2% to not more than 2.5% of the moneys for use by the program in the Air Pollution Control Fund; removing the repeal date of January 1, 2024, from the provisions on how moneys in the Air Pollution Control Fund are allocated and segregated; removing the repeal date of January 1, 2024, from the provisions regarding the terms and conditions for an allocation of moneys to an air district; and requiring an air district to liquidate, as defined, the moneys by June 30 of the fourth year following the year of allocation and to return, as defined, those moneys that have not been liquidated to the state board within 90 days.

(4) The California Global Warming Solutions Act of 2006 establishes the state board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation by the Legislature.

This bill would authorize the state board to allocate moneys from the Greenhouse Gas Reduction Fund and other specified sources for the Carl Moyer Memorial Air Quality Standards Attainment Program without those other moneys being required to be factored into the criteria emission reduction cost-effectiveness calculations.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 41081 of the Health and Safety Code, as  
2 amended by Section 1 of Chapter 401 of the Statutes of 2013, is  
3 amended to read:  
4 41081. (a) Subject to Article 3.7 (commencing with Section  
5 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the  
6 Government Code, or with the approval of the board of supervisors  
7 of each county included, in whole or in part, within the Sacramento  
8 district, the Sacramento district board may adopt a surcharge on  
9 the motor vehicle registration fees applicable to all motor vehicles  
10 registered in those counties within the Sacramento district whose  
11 boards of supervisors have adopted a resolution approving the  
12 surcharge. The surcharge shall be collected by the Department of  
13 Motor Vehicles and, after deducting the department's  
14 administrative costs, the remaining funds shall be transferred to  
15 the Sacramento district. Prior to the adoption of any surcharge  
16 pursuant to this subdivision, the district board shall make a finding  
17 that any funds allocated to the district as a result of the adoption  
18 of a county transportation sales and use tax are insufficient to carry  
19 out the purposes of this chapter.  
20 (b) The surcharge shall not exceed six dollars (\$6).

1 (c) After consulting with the Department of Motor Vehicles on  
2 the feasibility thereof, the Sacramento district board may provide,  
3 in the surcharge adopted pursuant to subdivision (a), to exempt  
4 from all or part of the surcharge any category of low-emission  
5 motor vehicle.

6 (d) Funds received by the Sacramento district pursuant to this  
7 section shall be used by that district as follows:

8 (1) The revenues resulting from the first four dollars (\$4) of  
9 each surcharge shall be used to implement reductions in emissions  
10 from vehicular sources, including, but not limited to, a clean fuels  
11 program and motor vehicle use reduction measures.

12 (2) The revenues resulting from the next two dollars (\$2) of  
13 each surcharge shall be used to implement the following programs  
14 that achieve emission reductions from vehicular sources and  
15 off-road engines, to the extent that the district determines the  
16 program remediates air pollution harms created by motor vehicles  
17 on which the surcharge is imposed:

18 (A) Projects eligible for grants under the Carl Moyer Memorial  
19 Air Quality Standards Attainment Program (Chapter 9  
20 (commencing with Section 44275) of Part 5).

21 (B) The new purchase, retrofit, repower, or add-on of equipment  
22 for previously unregulated agricultural sources of air pollution, as  
23 defined in Section 39011.5, within the Sacramento district, for a  
24 minimum of three years from the date of adoption of an applicable  
25 rule or standard, or until the compliance date of that rule or  
26 standard, whichever is later, if the state board has determined that  
27 the rule or standard complies with Sections 40913, 40914, and  
28 41503.1, after which period of time, a new purchase, retrofit,  
29 repower, or add-on of equipment shall not be funded pursuant to  
30 this chapter. The district shall follow any guidelines developed  
31 under subdivision (a) of Section 44287 for awarding grants under  
32 this program.

33 (C) The purchase of new schoolbuses or ~~the purchase for the~~  
34 repower or retrofit of emissions control equipment for existing  
35 schoolbuses pursuant to the Lower-Emission School Bus Program  
36 adopted by the state board.

37 (D) An accelerated vehicle retirement or repair program that is  
38 adopted by the state board pursuant to authority granted hereafter  
39 by the Legislature by statute.

1 (E) The replacement of onboard natural gas fuel tanks on  
2 schoolbuses that are 14 years or older or the enhancement of  
3 deteriorating natural gas fueling dispensers of fueling infrastructure,  
4 pursuant to the Lower-Emission School Bus Program adopted by  
5 the state board.

6 (F) The funding of alternative fuel and electric infrastructure  
7 projects solicited and selected through a competitive bid process.

8 (e) Not more than 6.25 percent of the funds collected pursuant  
9 to this section shall be used by the district for administrative  
10 expenses.

11 (f) A project funded by the program shall not be used for credit  
12 under any state or federal emissions averaging, banking, or trading  
13 program. An emission reduction generated by the program shall  
14 not be used as marketable emission reduction credits or to offset  
15 any emission reduction obligation of any person or entity. Projects  
16 involving new engines that would otherwise generate marketable  
17 credits under state or federal averaging, banking, and trading  
18 programs shall include transfer of credits to the engine end user  
19 and retirement of those credits toward reducing air emissions in  
20 order to qualify for funding under the program. A purchase of a  
21 low-emission vehicle or of equipment pursuant to a corporate or  
22 a controlling board's policy, but not otherwise required by law,  
23 shall generate surplus emissions reductions and may be funded by  
24 the program.

25 (g) This section shall remain in effect only until January 1, 2024,  
26 and as of that date is repealed, unless a later enacted statute, that  
27 is enacted before January 1, 2024, deletes or extends that date.

28 SEC. 2. Section 44223 of the Health and Safety Code is  
29 amended to read:

30 44223. (a) In addition to any other fees specified in this code,  
31 the Vehicle Code, and the Revenue and Taxation Code, a district,  
32 except the Sacramento district, may levy a fee of up to two dollars  
33 (\$2) on motor vehicles registered within the district. A district may  
34 impose the fee only if the district board adopts a resolution  
35 providing for both the fee and a corresponding program for the  
36 reduction of air pollution from motor vehicles pursuant to, and for  
37 related planning, monitoring, enforcement, and technical studies  
38 necessary for the implementation of, the California Clean Air Act  
39 of 1988 (Chapter 1568 of the Statutes of 1988), or for the  
40 attainment or maintenance of state or federal ambient air quality

1 standards or the reduction of toxic air contaminant emissions from  
2 motor vehicles.

3 (b) In districts with nonelected officials on their boards, a  
4 resolution adopted pursuant to subdivision (a) shall be approved  
5 by both a majority of the board and a majority of the board  
6 members who are elected officials.

7 (c) A fee imposed pursuant to this section shall become effective  
8 on either April 1 or October 1, as provided in the resolution adopted  
9 by the board pursuant to subdivision (a).

10 SEC. 3. Section 44225 of the Health and Safety Code, as  
11 amended by Section 6 of Chapter 401 of the Statutes of 2013, is  
12 amended to read:

13 44225. A district may increase the fee established under Section  
14 44223 to up to six dollars (\$6). A district may increase the fee only  
15 if the following conditions are met:

16 (a) A resolution providing for both the fee increase and a  
17 corresponding program for expenditure of the increased fees for  
18 the reduction of air pollution from motor vehicles pursuant to, and  
19 for related planning, monitoring, enforcement, and technical studies  
20 necessary for the implementation of, the California Clean Air Act  
21 of 1988 (Chapter 1568 of the Statutes of 1988), or for the  
22 attainment or maintenance of state or federal ambient air quality  
23 standards or the reduction of toxic air contaminant emissions from  
24 motor vehicles, is adopted and approved by the governing board  
25 of the district.

26 (b) In districts with nonelected officials on their governing  
27 boards, the resolution shall be adopted and approved by both a  
28 majority of the governing board and a majority of the board  
29 members who are elected officials.

30 (c) An increase in fees established pursuant to this section shall  
31 become effective on either April 1 or October 1, as provided in  
32 the resolution adopted by the board pursuant to subdivision (a).

33 (d) This section shall remain in effect only until January 1, 2024,  
34 and as of that date is repealed, unless a later enacted statute, that  
35 is enacted before January 1, 2024, deletes or extends that date.

36 SEC. 4. Section 44229 of the Health and Safety Code, as  
37 amended by Section 8 of Chapter 401 of the Statutes of 2013, is  
38 amended to read:

39 44229. (a) After deducting all administrative costs it incurs  
40 through collection of fees pursuant to Section 44227, the

Department of Motor Vehicles shall distribute the revenues to districts, which shall use the revenues resulting from the first four dollars (\$4) of each fee imposed to reduce air pollution from motor vehicles and to carry out related planning, monitoring, enforcement, and technical studies necessary for implementation of the California Clean Air Act of 1988 (Chapter 1568 of the Statutes of 1988). Fees collected by the Department of Motor Vehicles pursuant to this chapter shall be distributed to districts based upon the amount of fees collected from motor vehicles registered within each district.

(b) Notwithstanding Sections 44241 and 44243, a district shall use the revenues resulting from the next two dollars (\$2) of each fee imposed pursuant to Section 44227 to implement the following programs that the district determines remediate air pollution harms created by motor vehicles on which the surcharge is imposed:

(1) Projects eligible for grants under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275) of Part 5).

(2) The new purchase, retrofit, repower, or add-on equipment for previously unregulated agricultural sources of air pollution, as defined in Section 39011.5, for a minimum of three years from the date of adoption of an applicable rule or standard, or until the compliance date of that rule or standard, whichever is later, if the state board has determined that the rule or standard complies with Sections 40913, 40914, and 41503.1, after which period of time, a new purchase, retrofit, repower, or add-on of equipment shall not be funded pursuant to this chapter. The districts shall follow any guidelines developed under subdivision (a) of Section 44287 for awarding grants under this program.

(3) The purchase of new schoolbuses or ~~the purchase for the~~ repower or retrofit of emissions control equipment for existing schoolbuses pursuant to the Lower-Emission School Bus Program adopted by the state board.

(4) An accelerated vehicle retirement or repair program that is adopted by the state board pursuant to authority granted hereafter by the Legislature by statute.

(5) The replacement of onboard natural gas fuel tanks on schoolbuses that are 14 years or older or the enhancement of deteriorating natural gas fueling dispensers of fueling infrastructure, pursuant to the Lower-Emission School Bus Program adopted by the state board.

1 (6) The funding of alternative fuel and electric infrastructure  
2 projects solicited and selected through a competitive bid process.

3 (c) The Department of Motor Vehicles may annually expend  
4 not more than 1 percent of the fees collected pursuant to Section  
5 44227 on administrative costs.

6 (d) A project funded by the program shall not be used for credit  
7 under any state or federal emissions averaging, banking, or trading  
8 program. An emission reduction generated by the program shall  
9 not be used as marketable emission reduction credits or to offset  
10 any emission reduction obligation of any person or entity. Projects  
11 involving new engines that would otherwise generate marketable  
12 credits under state or federal averaging, banking, and trading  
13 programs shall include transfer of credits to the engine end user  
14 and retirement of those credits toward reducing air emissions in  
15 order to qualify for funding under the program. A purchase of a  
16 low-emission vehicle or of equipment pursuant to a corporate or  
17 a controlling board's policy, but not otherwise required by law,  
18 shall generate surplus emissions reductions and may be funded by  
19 the program.

20 (e) This section shall remain in effect only until January 1, 2024,  
21 and as of that date is repealed, unless a later enacted statute, that  
22 is enacted before January 1, 2024, deletes or extends that date.

23 SEC. 5. Section 44233 of the Health and Safety Code is  
24 amended to read:

25 44233. Not more than 6.25 percent of the fees distributed to  
26 any district pursuant to Section 44229, or distributed by a district  
27 to any other public agency pursuant to this chapter, shall be used  
28 by the district or other public agency for administrative costs.

29 SEC. 6. Section 44275 of the Health and Safety Code, as  
30 amended by Section 15 of Chapter 401 of the Statutes of 2013, is  
31 amended to read:

32 44275. (a) As used in this chapter, the following terms have  
33 the following meanings:

34 (1) [Reserved]

35 (2) "Btu" means British thermal unit.

36 (3) "Commission" means the State Energy Resources  
37 Conservation and Development Commission.

38 (4) "Cost-effectiveness" means dollars provided to a project  
39 pursuant to subdivision (d) of Section 44283 for each ton of  
40 covered emission reduction attributed to a project or to the program



1 as a whole. In calculating cost-effectiveness, one-time grants of  
2 funds made at the beginning of a project shall be annualized using  
3 a time value of public funds or discount rate determined for each  
4 project by the state board, taking into account the interest rate on  
5 bonds, interest earned by state funds, and other factors as  
6 determined appropriate by the state board. Cost-effectiveness shall  
7 be calculated by dividing annualized costs by average annual  
8 emissions reduction. The state board, in consultation with the  
9 districts and concerned members of the public, shall establish  
10 appropriate cost-effective limits for oxides of nitrogen, particulate  
11 matter, and reactive organic gases and a reasonable system for  
12 comparing the cost-effectiveness of proposed projects as described  
13 in subdivision (a) of Section 44283.

14 (5) “Covered emissions” include emissions of oxides of nitrogen,  
15 particulate matter, and reactive organic gases from any covered  
16 source.

17 (6) “Covered engine” includes any internal combustion engine  
18 or electric motor and drive powering a covered source.

19 (7) “Covered source” includes onroad vehicles, off-road  
20 nonrecreational equipment and vehicles, locomotives, marine  
21 vessels, agricultural sources of air pollution, as defined in Section  
22 39011.5, and, as determined by the state board, other categories  
23 necessary for the state and districts to meet air quality goals.

24 (8) “Covered vehicle” includes any vehicle or piece of  
25 equipment powered by a covered engine.

26 (9) “District” means a county air pollution control district or an  
27 air quality management district.

28 (10) “Fund” means the Air Pollution Control Fund established  
29 pursuant to Section 43015.

30 (11) “Incremental cost” means the cost of the project less a  
31 baseline cost that would otherwise be incurred by the applicant in  
32 the normal course of business. Incremental costs may include  
33 added lease, energy, or fuel costs pursuant to Section 44283 as  
34 well as incremental capital costs.

35 (12) “Liquidated” means that all moneys for a specified fiscal  
36 year have been spent by a district to reimburse grantees for valid  
37 and eligible project invoices and district administrative costs.  
38 Payments withheld from the grantee by a district until all  
39 contractual reporting requirements are met may be excluded from  
40 these amounts for the purposes of liquidation.

(13) “Mobile Source Air Pollution Reduction Review Committee” means the Mobile Source Air Pollution Reduction Review Committee created by Section 44244.

(14) “New very low emission vehicle” means a heavy-duty vehicle that qualifies as a very low emission vehicle when it is a new vehicle, where new vehicle has the same meaning as defined in Section 430 of the Vehicle Code, or that is modified with the approval and warranty of the original equipment manufacturer to qualify as a very low emission vehicle within 12 months of delivery to an owner for private or commercial use.

(15) “NO<sub>x</sub>” means oxides of nitrogen.

(16) “Program” means the Carl Moyer Memorial Air Quality Standards Attainment Program created by subdivision (a) of Section 44280.

(17) “Recaptured” means those moneys that are returned to a district or the state board by a grantee because that grantee did not meet contractual obligations.

(18) “Repower” means replacing an engine with a different engine. The term repower, as used in this chapter, generally refers to replacing an older, uncontrolled engine with a new, emissions-certified engine, although replacing an older emissions-certified engine with a newer engine certified to lower emissions standards may be eligible for funding under this program.

(19) “Retrofit” means making modifications to the engine and fuel system so that the retrofitted engine does not have the same specifications as the original engine.

(20) “Returned” means those moneys sent by a district to the state board for reallocation because those moneys are not liquidated by a liquidation deadline.

*(21) “Schoolbus project” means the purchase of new schoolbuses or the repower or retrofit of emissions control equipment for existing schoolbuses.*

~~(21)~~

(22) “Very low emission vehicle” means a heavy-duty vehicle with emissions significantly lower than otherwise applicable baseline emission standards or uncontrolled emission levels pursuant to Section 44282.

(b) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

SEC. 7. Section 44275 of the Health and Safety Code, as amended by Section 16 of Chapter 401 of the Statutes of 2013, is amended to read:

44275. (a) As used in this chapter, the following terms have the following meanings:

(1) [Reserved]

(2) “Btu” means British thermal unit.

(3) “Commission” means the State Energy Resources Conservation and Development Commission.

(4) “Cost-effectiveness” means dollars provided to a project pursuant to subdivision (d) of Section 44283 for each ton of NO<sub>x</sub> reduction attributed to a project or to the program as a whole. In calculating cost-effectiveness, one-time grants of funds made at the beginning of a project shall be annualized using a time value of public funds or discount rate determined for each project by the state board, taking into account the interest rate on bonds, interest earned by state funds, and other factors as determined appropriate by the state board. Cost-effectiveness shall be calculated by dividing annualized costs by average annual emissions reduction of NO<sub>x</sub> in this state.

(5) “Covered engine” includes any internal combustion engine or electric motor and drive powering a covered source.

(6) “Covered source” includes onroad vehicles of 14,000 pounds gross vehicle weight rating (GVWR) or greater, off-road nonrecreational equipment and vehicles, locomotives, diesel marine vessels, stationary agricultural engines, and, as determined by the state board, other high-emitting diesel engine categories.

(7) “Covered vehicle” includes any vehicle or piece of equipment powered by a covered engine.

(8) “District” means a county air pollution control district or an air quality management district.

(9) “Fund” means the Air Pollution Control Fund established pursuant to Section 43015.

(10) “Incremental cost” means the cost of the project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. Incremental costs may include added lease or fuel costs pursuant to Section 44283 as well as incremental capital costs.

(11) “Liquidated” means that all moneys for a specified fiscal year have been spent by a district to reimburse grantees for valid

1 and eligible project invoices and district administrative costs.  
2 Payments withheld from the grantee by a district until all  
3 contractual reporting requirements are met may be excluded from  
4 these amounts for the purposes of liquidation.

5 (12) “Mobile Source Air Pollution Reduction Review  
6 Committee” means the Mobile Source Air Pollution Reduction  
7 Review Committee created by Section 44244.

8 (13) “New very low emission vehicle” means a vehicle that  
9 qualifies as a very low emission vehicle when it is a new vehicle,  
10 where new vehicle has the same meaning as defined in Section  
11 430 of the Vehicle Code, or that is modified with the approval and  
12 warranty of the original equipment manufacturer to qualify as a  
13 very low emission vehicle within 12 months of delivery to an  
14 owner for private or commercial use.

15 (14) “NO<sub>x</sub>” means oxides of nitrogen.

16 (15) “Program” means the Carl Moyer Memorial Air Quality  
17 Standards Attainment Program created by subdivision (a) of  
18 Section 44280.

19 (16) “Recaptured” means those moneys that are returned to a  
20 district or the state board by a grantee because that grantee did not  
21 meet contractual obligations.

22 (17) “Repower” means replacing an engine with a different  
23 engine. The term repower, as used in this chapter, generally refers  
24 to replacing an older, uncontrolled engine with a new,  
25 emissions-certified engine, although replacing an older  
26 emissions-certified engine with a newer engine certified to lower  
27 emissions standards may be eligible for funding under this program.

28 (18) “Retrofit” means making modifications to the engine and  
29 fuel system such that the retrofitted engine does not have the same  
30 specifications as the original engine.

31 (19) “Returned” means those moneys sent by a district to the  
32 state board for reallocation because those moneys are not liquidated  
33 by a liquidation deadline.

34 (20) “Schoolbus project” means the purchase of new  
35 schoolbuses or the repower or retrofit of emissions control  
36 equipment for existing schoolbuses.

37 ~~(20)~~

38 (21) “Very low emission vehicle” means a vehicle with  
39 emissions significantly lower than otherwise applicable baseline

1 emission standards or uncontrolled emission levels pursuant to  
2 Section 44282.

3 (b) This section shall become operative on January 1, 2024.

4 SEC. 8. Section 44281 of the Health and Safety Code, as  
5 amended by Section 19 of Chapter 401 of the Statutes of 2013, is  
6 amended to read:

7 44281. (a) Eligible projects include, but are not limited to, any  
8 of the following:

9 (1) Purchase of new very low or zero-emission covered vehicles  
10 or covered heavy-duty engines.

11 (2) Emission-reducing retrofit of covered engines, or  
12 replacement of old engines powering covered sources with newer  
13 engines certified to more stringent emissions standards than the  
14 engine being replaced, or with electric motors or drives.

15 (3) Purchase and use of emission-reducing add-on equipment  
16 that has been verified by the state board for covered vehicles.

17 (4) Development and demonstration of practical, low-emission  
18 retrofit technologies, repower options, and advanced technologies  
19 for covered engines and vehicles with very low emissions of NO<sub>x</sub>.

20 (5) Light- and medium-duty vehicle projects in compliance with  
21 guidelines adopted by the state board pursuant to Title 13 of the  
22 California Code of Regulations.

23 (b) No project shall be funded under this chapter after the  
24 compliance date required by any local, state, or federal statute,  
25 rule, regulation, memoranda of agreement or understanding, or  
26 other legally binding document, except that an otherwise qualified  
27 project may be funded even if the state implementation plan  
28 assumes that the change in equipment, vehicles, or operations will  
29 occur, if the change is not required by the compliance date of a  
30 statute, regulation, or other legally binding document in effect as  
31 of the date the grant is awarded. No project funded by the program  
32 shall be used for credit under any state or federal emissions  
33 averaging, banking, or trading program. No covered emission  
34 reduction generated by the program shall be used as marketable  
35 emission reduction credits or to offset any emission reduction  
36 obligation of any person or entity. Projects involving new engines  
37 that would otherwise generate marketable credits under state or  
38 federal averaging, banking, and trading programs shall include  
39 transfer of credits to the engine end user and retirement of those  
40 credits toward reducing air emissions in order to qualify for funding

1 under the program. A purchase of a low-emission vehicle or of  
2 equipment pursuant to a corporate or a controlling board's policy,  
3 but not otherwise required by law, shall generate surplus emissions  
4 reductions and may be funded by the program.

5 (c) The program may also provide funding toward the  
6 installation of fueling or energy infrastructure to fuel or power  
7 covered sources.

8 (d) Eligible applicants may be any individual, company, or  
9 public agency that owns one or more covered vehicles that operate  
10 primarily within California or otherwise contribute substantially  
11 to the NO<sub>x</sub>, particulate matter (PM), or reactive organic gas (ROG)  
12 emissions inventory in California.

13 (e) It is the intent of the Legislature that all emission reductions  
14 generated by this chapter shall contribute to public health by  
15 reducing, for the life of the vehicle being funded, the total amount  
16 of emissions in California.

17 (f) This section shall remain in effect only until January 1, 2024,  
18 and as of that date is repealed, unless a later enacted statute, that  
19 is enacted before January 1, 2024, deletes or extends that date.

20 SEC. 9. Section 44282 of the Health and Safety Code, as  
21 amended by Section 21 of Chapter 401 of the Statutes of 2013, is  
22 amended to read:

23 44282. The following criteria apply to all projects to be funded  
24 through the program except for projects funded through the  
25 infrastructure demonstration program and infrastructure projects,  
26 pursuant to subdivision (c) of Section 44281 and Section 44284:

27 (a) The state board may establish project criteria, including  
28 minimum project life for source categories, in the guidelines  
29 described in Section 44287. For previously unregulated source  
30 categories, project criteria shall consider the timing of newly  
31 established regulatory requirements.

32 (b) To be eligible, projects shall meet the cost-effectiveness per  
33 ton of covered emissions reduced requirements of Section 44283.

34 (c) To be eligible, retrofits, repowers, and installation of add-on  
35 equipment for covered vehicles shall be performed, or new covered  
36 vehicles delivered to the end user, or covered vehicles scrapped  
37 on or after the date the program is implemented.

38 (d) Retrofit technologies, new engines, and new vehicles shall  
39 be certified for sale or under experimental permit for operation in  
40 California.

1 (e) Repower projects that replace older, uncontrolled engines  
2 with new, emissions-certified engines or that replace  
3 emissions-certified engines with new engines certified to a more  
4 stringent NO<sub>x</sub> emissions standard are approvable subject to the  
5 other applicable selection criteria. The state board shall determine  
6 appropriate baseline emission levels for the uncontrolled engines  
7 being replaced.

8 (f) For heavy-duty-vehicle projects, retrofit and add-on  
9 equipment projects shall document a NO<sub>x</sub> or PM emission  
10 reduction of at least 25 percent and no increase in other covered  
11 emissions compared to the applicable baseline emissions accepted  
12 by the state board for that engine year and application. The state  
13 board shall determine appropriate baseline emission levels.  
14 Acceptable documentation shall be defined by the state board.  
15 After study of available emission reduction technologies and after  
16 public notice and comment, the state board may revise the  
17 minimum percentage emission reduction criterion for retrofits and  
18 add-on equipment provided for in this section to improve the ability  
19 of the program to achieve its goals.

20 (g) (1) For heavy-duty-vehicle projects involving the purchase  
21 of new very low or zero-emission vehicles, engines shall be  
22 certified to an optional low NO<sub>x</sub> emissions standard established  
23 by the state board, except as provided for in paragraph (2).

24 (2) For heavy-duty-vehicle projects involving the purchase of  
25 new very low or zero-emission covered vehicles for which no  
26 optional low NO<sub>x</sub> emission standards are available, documentation  
27 shall be provided showing that the low or zero-emission engine  
28 emits not more than 70 percent of the NO<sub>x</sub> or NO<sub>x</sub> plus  
29 hydrocarbon emissions of a new engine certified to the applicable  
30 baseline NO<sub>x</sub> or NO<sub>x</sub> plus hydrocarbon emission standard for that  
31 engine and meets applicable particulate standards. The state board  
32 shall specify the documentation required. If no baseline emission  
33 standard exists for new vehicles in a particular category, the state  
34 board shall determine an appropriate baseline emission level for  
35 comparison.

36 (h) For projects other than heavy-duty-vehicle projects, the state  
37 board shall determine appropriate criteria under the provisions of  
38 Section 44287.

(i) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

SEC. 10. Section 44283 of the Health and Safety Code, as amended by Section 23 of Chapter 401 of the Statutes of 2013, is amended to read:

44283. (a) (1) For all projects funded pursuant to this chapter, except for an infrastructure project described in subdivision (c) of Section 44281, the following cost-effectiveness criteria shall apply:

(A) (i) Project grants shall not be made that exceed cost-effectiveness values calculated in accordance with this section.

(ii) The state board, in collaboration with the districts, shall establish cost-effectiveness values in the guidelines issued pursuant to Section 44287, taking into consideration factors, including, but not limited to, the following:

(I) The cost of emission control technologies identified in Section 44281.

(II) The cost-effectiveness values for NO<sub>x</sub>, particulate matter, or reactive organic gases for any adopted rule or control measure in any district's approved state implementation plan, or rule adopted by the state board.

(iii) *A grant for a schoolbus project shall not exceed the cost caps established in the Lower-Emission School Bus Program and consistent with Section 44299.901. The cost-effectiveness value for these projects shall be set forth in the guidelines issued pursuant to Section 44287.*

(B) For projects obtaining reactive organic gas and particulate matter reductions, the state board shall determine appropriate adjustment factors to calculate a weighted cost-effectiveness value.

(2) When a district board approves funding for a project or project category, the district board shall include, in its agenda or supporting materials for the meeting approving funding for the project or project category, a brief statement of the rationale for funding that source category, including the basis for selection and the importance of that project type.

(b) Only covered emission reductions occurring in this state shall be included in the cost-effectiveness determination. The extent to which emissions generated at sea contribute to air quality in California nonattainment areas shall be incorporated into these



1 methodologies based on a reasonable assessment of currently  
2 available information and modeling assumptions.

3 (c) The state board shall develop protocols for calculating the  
4 surplus covered emission reductions in California from  
5 representative project types over the life of the project.

6 (d) The cost of the covered emission reduction is the amount  
7 of the grant from the program, including matching funds provided  
8 pursuant to subdivision (e) of Section 44287, or funding provided  
9 pursuant to paragraph (2) of subdivision (d) of Section 41081 or  
10 subdivision (b) of Section 44229, not including funds described  
11 in subdivision (a) of Section 44287.2. The state board shall  
12 establish reasonable methodologies for evaluating project  
13 cost-effectiveness, consistent with the definition contained in  
14 paragraph (4) of subdivision (a) of Section 44275, and with  
15 accepted methods, taking into account a fair and reasonable  
16 discount rate or time value of public funds.

17 (e) A grant shall not be made that, net of taxes, provides the  
18 applicant with funds in excess of the incremental cost of the project.  
19 Incremental lease costs may be capitalized according to guidelines  
20 adopted by the state board so that these incremental costs may be  
21 offset by a one-time grant award.

22 (f) Funds under a district's budget authority or fiduciary control  
23 may be used to pay for the incremental cost of energy or liquid or  
24 gaseous fuel, other than standard gasoline or diesel, which is  
25 integral to a covered emission reducing technology that is part of  
26 a project receiving grant funding under the program. The fuel shall  
27 be approved for sale in the state. The incremental energy or fuel  
28 cost over the expected lifetime of the vehicle may be offset by the  
29 district if the project as a whole, including the incremental energy  
30 or fuel cost, meets all of the requirements of this chapter, including  
31 the maximum allowed cost-effectiveness. The state board shall  
32 develop an appropriate methodology for converting incremental  
33 energy or fuel costs over the vehicle lifetime into an initial cost  
34 for the purposes of determining project cost-effectiveness.  
35 Incremental energy or fuel costs shall not be included in project  
36 costs for fuels dispensed from any facility that was funded, in  
37 whole or in part, from the fund.

38 (g) For the purposes of determining any grant amount pursuant  
39 to this chapter, project proponents applying for funding shall be

1 required to state in their application any other public financial  
2 assistance to the project.

3 (h) For projects that would repower off-road equipment by  
4 replacing uncontrolled diesel engines with new, certified diesel  
5 engines, the state board may establish maximum grant award  
6 amounts per repower. A repower project shall also be subject to  
7 the incremental cost maximum pursuant to subdivision (e).

8 (i) After study of available emission reduction technologies and  
9 costs and after public notice and comment, the state board may  
10 adjust the values of the maximum grant award criteria stated in  
11 this section to improve the ability of the program to achieve its  
12 goals. Every year the state board shall adjust the maximum  
13 cost-effectiveness amount established in subdivision (a) and any  
14 per-project maximum set by the state board pursuant to subdivision  
15 (h) to account for inflation and other factors as authorized by this  
16 section.

17 (j) This section shall remain in effect only until January 1, 2024,  
18 and as of that date is repealed, unless a later enacted statute, that  
19 is enacted before January 1, 2024, deletes or extends that date.

20 SEC. 11. Section 44286 of the Health and Safety Code is  
21 amended to read:

22 44286. (a) The responsibilities of the state board include  
23 management of program funds and program oversight. The state  
24 board is responsible for producing guidelines, protocols, and  
25 criteria for covered vehicle projects and developing methodologies  
26 for evaluating project cost-effectiveness in accordance with this  
27 chapter. The state board shall have primary responsibility for the  
28 reporting aspects of the program.

29 (b) The responsibilities of a district include local administration  
30 of project funds, monitoring funded projects, and reporting results  
31 to the state board, in accordance with this chapter. Any project  
32 funds awarded to a successful applicant shall be disbursed by the  
33 district.

34 (c) Relative to the allocation of funds in the south coast district,  
35 for purposes of this program, Mobile Source Air Pollution  
36 Reduction Review Committee funds shall only be used as matching  
37 funds upon approval, by minute action, of the Mobile Source Air  
38 Pollution Reduction Review Committee.

39 (d) The state board may reserve up to 10 percent of the program  
40 funds available each year to directly fund any project that is a

1 covered source and is described in Section 44281. A project that  
2 is multidistrict in nature shall be funded by the state board in  
3 coordination with the appropriate districts. The state board shall  
4 coordinate outreach efforts with a participating district to ensure  
5 that any parallel availability of a district grant and a grant from  
6 the state board is clear to an eligible applicant. Reserved funds not  
7 committed to a project funded directly by the state board by the  
8 end of the fiscal year shall be made available to the districts in the  
9 following year.

10 (e) The commission, in consultation with the state board, shall  
11 manage the Advanced Technology Account and the Infrastructure  
12 Demonstration Program in accordance with this chapter.

13 (f) The state board shall work closely with the commission and  
14 the districts for the duration of this program to maximize the ability  
15 of the program to achieve its goals.

16 (g) The state board and the districts shall take all appropriate  
17 and necessary actions to ensure that emissions reductions achieved  
18 through the program are credited by the United States  
19 Environmental Protection Agency to the appropriate emission  
20 reduction objectives in the state implementation plan.

21 SEC. 12. Section 44287 of the Health and Safety Code, as  
22 amended by Section 25 of Chapter 401 of the Statutes of 2013, is  
23 amended to read:

24 44287. (a) The state board shall establish or update grant  
25 criteria and guidelines consistent with this chapter for covered  
26 vehicle and infrastructure projects as soon as practicable, but not  
27 later than July 1, 2017. The adoption of guidelines is exempt from  
28 the rulemaking provisions of the Administrative Procedure Act  
29 (Chapter 3.5 (commencing with Section 11340) of Part 1 of  
30 Division 3 of Title 2 of the Government Code). The state board  
31 shall solicit input and comment from the districts during the  
32 development of the criteria and guidelines and shall make every  
33 effort to develop criteria and guidelines that are compatible with  
34 existing district programs that are also consistent with this chapter.  
35 Guidelines shall include protocols to calculate project  
36 cost-effectiveness. The grant criteria and guidelines shall include  
37 safeguards to ensure that the project generates surplus emissions  
38 reductions. Guidelines shall enable and encourage districts to  
39 cofund projects that provide emissions reductions in more than  
40 one district. The state board shall make draft criteria and guidelines

1 available to the public 45 days before final adoption, and shall  
2 hold at least one public meeting to consider public comments  
3 before final adoption. The state board may develop separate  
4 guidelines and criteria for the different types of eligible projects  
5 described in subdivision (a) of Section 44281.

6 (b) The state board, in consultation with the participating  
7 districts, may propose revisions to the criteria and guidelines  
8 established pursuant to subdivision (a) as necessary to improve  
9 the ability of the program to achieve its goals. A proposed revision  
10 shall be made available to the public 45 days before final adoption  
11 of the revision and the state board shall hold at least one public  
12 meeting to consider public comments before final adoption of the  
13 revision.

14 (c) The state board shall reserve funds for, and disburse funds  
15 to, districts from the fund for administration pursuant to this section  
16 and Section 44299.1.

17 (d) The state board shall develop guidelines for a district to  
18 follow in applying for the reservation of funds, in accordance with  
19 this chapter. It is the intent of the Legislature that district  
20 administration of any reserved funds be in accordance with the  
21 project selection criteria specified in Sections 44281, 44282, and  
22 44283 and all other provisions of this chapter. The guidelines shall  
23 be established and published by the state board as soon as  
24 practicable, but not later than January 1, 2006.

25 (e) Funds shall be reserved by the state board for administration  
26 by a district that adopts an eligible program pursuant to this chapter  
27 and offers matching funds at a ratio of one dollar (\$1) of matching  
28 funds committed by the district or the Mobile Source Air Pollution  
29 Reduction Review Committee for every two dollars (\$2) committed  
30 from the fund. Funds available to the Mobile Source Air Pollution  
31 Reduction Review Committee may be counted as matching funds  
32 for projects in the South Coast Air Basin only if the committee  
33 approves the use of these funds for matching purposes. Matching  
34 funds may be any funds under the district's budget authority that  
35 are committed to be expended in accordance with the program.  
36 Funds committed by a port authority or a local government, in  
37 cooperation with a district, to be expended in accordance with the  
38 program may also be counted as district matching funds. Matching  
39 funds provided by a port authority or a local government shall not  
40 exceed 30 percent of the total required matching funds in any

1 district that applies for more than three hundred thousand dollars  
2 (\$300,000) of the state board funds. Only a district, or a port  
3 authority or a local government teamed with a district, may provide  
4 matching funds.

5 (f) The state board may adjust the ratio of matching funds  
6 described in subdivision (e), if it determines that an adjustment is  
7 necessary in order to maximize the use of, or the air quality benefits  
8 provided by, the program, based on a consideration of the financial  
9 resources of the district.

10 (g) Notwithstanding subdivision (e), a district need not provide  
11 matching funds for state board funds allocated to the district for  
12 program outreach activities pursuant to paragraph (4) of subdivision  
13 (a) of Section 44299.1.

14 (h) A district may include within its matching funds a reasonable  
15 estimate of direct or in-kind costs for assistance in providing  
16 program outreach and application evaluation. In-kind and direct  
17 matching funds shall not exceed 15 percent of the total matching  
18 funds offered by a district. A district may also include within its  
19 matching funds any money spent on or after February 25, 1999,  
20 that would have qualified as matching funds but were not  
21 previously claimed as matching funds.

22 (i) A district desiring a reservation of funds shall apply to the  
23 state board following the application guidelines established  
24 pursuant to this section. The state board shall approve or disapprove  
25 a district application not later than 60 days after receipt. Upon  
26 approval of any district application, the state board shall  
27 simultaneously approve a reservation of funding for that district  
28 to administer. Reserved funds shall be disbursed to the district so  
29 that funding of a district-approved project is not impeded.

30 (j) Any funds reserved for a district by the state board pursuant  
31 to this section are available for disbursement to the district for a  
32 period of not more than two years from the time of reservation.  
33 Funds not liquidated by a district by June 30 of the fourth calendar  
34 year following the date of the reservation shall be returned to the  
35 state board within 90 days for future allocation pursuant to this  
36 chapter. Each reservation of funds shall be accounted for separately,  
37 and unused funds from each application shall revert back to the  
38 state board for use pursuant to this chapter as specified in this  
39 subdivision.

1 (k) The state board shall specify a date each year when district  
2 applications are due. If the eligible applications received in any  
3 year oversubscribe the available funds, the state board shall reserve  
4 funds on an allocation basis, pursuant to Section 44299.2. The  
5 state board may accept a district application after the due date for  
6 a period of months specified by the state board. Funds may be  
7 reserved in response to those applications, in accordance with this  
8 chapter, out of funds remaining after the original reservation of  
9 funds for the year.

10 (l) Guidelines for a district application shall require information  
11 from an applicant district to the extent necessary to meet the  
12 requirements of this chapter, but shall otherwise minimize the  
13 information required of a district.

14 (m) A district application shall be reviewed by the state board  
15 immediately upon receipt. If the state board determines that an  
16 application is incomplete, the applicant shall be notified within 10  
17 working days with an explanation of what is missing from the  
18 application. A completed application fulfilling the criteria shall be  
19 approved as soon as practicable, but not later than 60 working days  
20 after receipt.

21 (n) The commission, in consultation with the districts, shall  
22 establish project approval criteria and guidelines for infrastructure  
23 projects consistent with Section 44284 as soon as practicable, but  
24 not later than February 15, 2000. The commission shall make draft  
25 criteria and guidelines available to the public 45 days before final  
26 adoption, and shall hold at least one public meeting to consider  
27 public comments before final adoption.

28 (o) The commission, in consultation with the participating  
29 districts, may propose revisions to the criteria and guidelines  
30 established pursuant to subdivision (n) as necessary to improve  
31 the ability of the program to achieve its goals. A revision may be  
32 proposed at any time, or may be proposed in response to a finding  
33 made in the annual report on the program published by the state  
34 board pursuant to Section 44295. A proposed revision shall be  
35 made available to the public 45 days before final adoption of the  
36 revision and the commission shall hold at least one public meeting  
37 to consider public comments before final adoption of the revision.

38 (p) Unclaimed funds will be allocated by the state board in  
39 accordance with Section 44299.2.

1 (q) This section shall remain in effect only until January 1, 2024,  
2 and as of that date is repealed, unless a later enacted statute, that  
3 is enacted before January 1, 2024, deletes or extends that date.

4 SEC. 13. Section 44287.1 of the Health and Safety Code is  
5 amended to read:

6 44287.1. (a) The state board shall, at its first opportunity,  
7 revise the grant criteria and guidelines adopted pursuant to Section  
8 44287 to incorporate projects in which an applicant turns in  
9 nonroad internal combustion technology and equipment that the  
10 applicant owns and that still has some useful life, coupled with the  
11 purchase of new nonroad zero-emission technology and equipment  
12 that is in a similar category or that can perform the same work.

13 (b) When it evaluates the benefits of a project described in  
14 subdivision (a), the state board shall count both of the following  
15 emission reduction streams, provided that they are real, enforceable,  
16 quantifiable, and surplus emission reductions:

17 (1) The displacement of the emissions from the older nonroad  
18 internal combustion technology and equipment for its remaining  
19 life with the new nonroad zero-emission technology and equipment.

20 (2) After the time period specified in paragraph (1), the  
21 displacement of emissions from new nonroad internal combustion  
22 technology and equipment meeting the emission standards in place  
23 at time of purchase, with the new nonroad zero-emission  
24 technology and equipment over its remaining life.

25 (c) A project described in subdivision (a) shall meet the  
26 cost-effectiveness criteria in Section 44283 and all other criteria  
27 of the program, including the requirement that the emission  
28 reductions be real, enforceable, quantifiable, and surplus.

29 (d) The incremental cost of a project described in subdivision  
30 (a) may include, at the discretion of the applicant, some or all of  
31 the reasonable salvage value of the nonroad internal combustion  
32 technology and equipment turned in, as determined by the state  
33 board. However, an applicant that elects to include these costs  
34 shall be required to meet the cost-effectiveness criteria in Section  
35 44283.

36 SEC. 14. Section 44287.2 of the Health and Safety Code is  
37 amended to read:

38 44287.2. (a) By July 1, 2017, the state board shall revise  
39 project grant criteria and guidelines pursuant to Section 44287 to  
40 allow funds from federal, state, and local programs or other public

1 funding sources to be used for a project also funded under this  
2 chapter without those additional public funds being factored into  
3 the criteria emission reduction cost-effectiveness calculations, if  
4 the projects are eligible under those programs and meet all criteria  
5 associated with those funding sources. Those other projects include,  
6 but are not limited to, any of the following:

7 (1) Federal funding from programs designed to reduce  
8 greenhouse gas emissions.

9 (2) State and local funding from programs designed to reduce  
10 greenhouse gas emissions, including the Greenhouse Gas Reduction  
11 Fund, created pursuant to Section 16428.8 of the Government  
12 Code, and the Alternative and Renewable Fuel and Vehicle  
13 Technology Program (Article 2 (commencing with Section 44272)  
14 of Chapter 8.9).

15 (3) Funding from programs designed to support energy diversity.

16 (4) Funding from programs that are intended to provide covered  
17 emissions reductions but do not require those reductions to be able  
18 to be credited to the state implementation plan.

19 (b) Nothing in this section authorizes the expenditure of funds  
20 for a project that does not meet all of the requirements of this  
21 chapter, including requirements that require cost sharing or the  
22 matching of funds. The sum of the total grants shall not exceed  
23 the project cost. The covered emissions reductions paid for pursuant  
24 to this chapter shall not be claimed by the other funding sources.

25 (c) Subdivision (a) shall not apply to funds used pursuant to  
26 paragraph (2) of subdivision (d) of Section 41081 or subdivision  
27 (b) of Section 44229.

28 SEC. 15. Section 44288 of the Health and Safety Code is  
29 amended to read:

30 44288. (a) An application for a project grant shall be reviewed  
31 by the administering district immediately upon receipt. If the  
32 administering district determines that an application is incomplete,  
33 the applicant shall be notified within 30 working days with an  
34 explanation of what is missing from the application. The date and  
35 time of receipt of each application determined to be complete shall  
36 be recorded and the completed application shall be evaluated with  
37 respect to the appropriate project selection criteria. A district shall  
38 make every effort to process an application and grant an award  
39 rapidly and to coordinate project approval with any purchase or  
40 installation timing constraint on an applicant. Notwithstanding



1 any other provision of this chapter, the administering district may  
2 determine that an application is not in good faith, not credible, or  
3 not in compliance with this chapter and its objectives.

4 (b) A participating district may request assistance from the state  
5 board on an as-needed basis to clarify project evaluation protocols  
6 or to obtain information necessary to properly evaluate an  
7 application.

8 (c) An application for a grant for an infrastructure project shall  
9 be reviewed by the commission immediately upon receipt. If the  
10 commission determines that an application is incomplete, the  
11 applicant shall be notified within five working days with an  
12 explanation of what is missing from the application. The date and  
13 time of receipt of each application determined to be complete shall  
14 be recorded and the completed application shall be evaluated with  
15 respect to the appropriate project selection criteria. A complete  
16 grant application fulfilling the project selection criteria shall be  
17 approved as soon as practicable, but not later than 60 working days  
18 after receipt. Notwithstanding any other provision of this chapter,  
19 the commission may determine that an application is not in good  
20 faith, not credible, or not in compliance with this chapter and its  
21 objectives. The commission shall expedite the processing of an  
22 application and shall grant an award as rapidly as possible.

23 (d) Funds shall be awarded in conjunction with the execution  
24 of a contract that obligates the state board or a participating district  
25 to make the grant and obligates the grantee to take the actions  
26 described in the grant application. A contract shall incorporate the  
27 recapturing provisions contained in subdivision (c) of Section  
28 44291.

29 SEC. 16. Section 44291 of the Health and Safety Code is  
30 amended to read:

31 44291. (a) The state board shall assist districts with developing  
32 procedures to monitor whether the emission reductions projected  
33 in successful grant applications are actually achieved. Monitoring  
34 procedures may include project audits, and may also include  
35 requirements, as part of the contract between the state board or  
36 districts and the grant recipients, that each grant recipient provide  
37 information about the project on an annual basis. Information  
38 required from grant recipients should be minimized and the format  
39 for reporting the information should be made simple and  
40 convenient.

1 (b) As soon as practicable, the state board, in consultation with  
2 the districts, shall publish procedures to monitor and audit  
3 infrastructure projects. These procedures shall ensure that the  
4 amount of qualifying fuel dispensed annually is greater than or  
5 equal to the amount upon which the grant award is based and that  
6 any project qualifying for funding on the basis of public  
7 accessibility or limited public accessibility is, in fact, providing  
8 that accessibility.

9 (c) The monitoring and auditing procedures shall be sufficient  
10 to allow emission reductions generated to be fully credited to air  
11 quality plans. The monitoring procedures shall contain provisions  
12 for recapturing grant awards in proportion to any loss of emission  
13 reductions or underachievement in dispensing qualifying fuel  
14 compared with the reductions and fuel dispensing projected in the  
15 grant application. Monitoring and auditing procedures shall be  
16 revised as appropriate to enhance program effectiveness.

17 (d) The state board shall monitor district programs to ensure  
18 that participating districts conduct their programs consistent with  
19 the criteria and guidelines established by the state board and the  
20 commission pursuant to this chapter. The monitoring procedures  
21 shall contain provisions for return of funds not yet awarded to  
22 approved projects if a district fails to show that they are  
23 implementing a program consistent with the approved program.  
24 If the state board determines, pursuant to this subdivision, that  
25 moneys from the fund allocated to a district should be returned,  
26 the state board shall hold at least one public meeting to consider  
27 public comments prior to requiring the return of the allocated  
28 funds. The state board shall make every effort to assist districts to  
29 implement programs in an approved manner and shall only require  
30 the return of allocated funds if these efforts fail to address problems  
31 adequately. Returned funds shall be deposited in the fund. The  
32 state board shall not require the return of funds already awarded  
33 to approved projects.

34 (e) Program funds recaptured as a result of a settlement  
35 agreement executed by the state board shall be returned to the  
36 district that provided the funds to the grant recipient. A penalty  
37 resulting from a settlement agreement executed by the state board  
38 with a grant recipient or from a civil action brought by the Attorney  
39 General shall be deposited in the fund.

1 SEC. 17. Section 44299.1 of the Health and Safety Code, as  
2 amended by Section 28 of Chapter 401 of the Statutes of 2013, is  
3 amended to read:

4 44299.1. (a) To ensure that emission reductions are obtained  
5 as needed from pollution sources, any moneys deposited in the  
6 fund for use by the program or appropriated to the program shall  
7 be segregated and administered as follows:

8 (1) Not more than 2.5 percent of the moneys in the fund for use  
9 by the program shall be allocated to program support and outreach  
10 costs incurred by the state board and the commission directly  
11 associated with implementing the program pursuant to this chapter.  
12 These funds shall be allocated to the state board and the  
13 commission in proportion to total program funds administered by  
14 the state board and the commission.

15 (2) Not more than 2.5 percent of the moneys in the fund for use  
16 by the program shall be allocated to direct program outreach  
17 activities. The state board may use these funds for program  
18 outreach contracts or may allocate outreach funds to participating  
19 districts in proportion to each district's allocation from the program  
20 moneys in the fund. The state board shall report on the use of  
21 outreach funds in their reports to the Legislature pursuant to Section  
22 44295.

23 (3) The balance shall be deposited in the fund to be expended  
24 to offset added costs of new very low or zero-emission vehicle  
25 technologies, and emission reducing repowers, retrofits, and add-on  
26 equipment for covered vehicles and engines, and other projects  
27 specified in Section 44281.

28 (b) Moneys in the fund shall be allocated to a district that  
29 submits an eligible application to the state board pursuant to  
30 Section 44287. The state board shall determine the maximum  
31 amount of annual funding from the fund for use by the program  
32 that each district may receive. This determination shall be based  
33 on the population in each district as well as the relative importance  
34 of obtaining covered emission reductions in each district,  
35 specifically through the program.

36 (c) Not more than 6.25 percent of the moneys allocated pursuant  
37 to this chapter to a district with a population of one million or more  
38 may be used by the district for indirect costs of implementation of  
39 the program, including outreach costs that are subject to the  
40 limitation in paragraph (2) of subdivision (a).

(d) Not more than 12.5 percent of the moneys allocated pursuant to this chapter to a district with a population of less than one million may be used by the district for indirect costs of implementation of the program, including outreach costs that are subject to the limitation in paragraph (2) of subdivision (a).

SEC. 18. Section 44299.1 of the Health and Safety Code, as amended by Section 29 of Chapter 401 of the Statutes of 2013, is repealed.

SEC. 19. Section 44299.2 of the Health and Safety Code is amended to read:

44299.2. Funds shall be allocated to districts, and shall be subject to administrative terms and conditions as follows:

(a) Available funds shall be distributed to districts taking into consideration the population of the area, the severity of the air quality problems experienced by the population, and the historical allocation of the program funds, except that the south coast district shall be allocated a percentage of the total funds available to districts that is proportional to the percentage of the total state population residing within the jurisdictional boundaries of that district. For the purposes of this subdivision, population shall be determined by the state board based on the most recent data provided by the Department of Finance. The allocation to the south coast district shall be subtracted from the total funds available to districts. Each district, except the south coast district, shall be awarded a minimum allocation of two hundred thousand dollars (\$200,000), and the remainder, which shall be known as the “allocation amount,” shall be allocated to all districts as follows:

(1) The state board shall distribute 35 percent of the allocation amount to the districts in proportion to the percentage of the total residual state population that resides within each district’s boundaries. For purposes of this paragraph, “total residual state population” means the total state population, less the total population that resides within the south coast district.

(2) The state board shall distribute 35 percent of the allocation amount to the districts in proportion to the severity of the air quality problems to which each district’s population is exposed. The severity of the exposure shall be calculated as follows:

(A) Each district shall be awarded severity points based on the district’s attainment designation and classification, as most recently promulgated by the federal Environmental Protection Agency for

1 the National Ambient Air Quality Standard for ozone averaged  
2 over eight hours, as follows:

3 (i) A district that is designated attainment for the federal  
4 eight-hour ozone standard shall be awarded one point.

5 (ii) A district that is designated nonattainment for the federal  
6 eight-hour ozone standard shall be awarded severity points based  
7 on classification. Two points shall be awarded for transitional,  
8 basic, or marginal classifications, three points for moderate  
9 classification, four points for serious classification, five points for  
10 severe classification, six points for severe-17 classification, and  
11 seven points for extreme classification.

12 (B) Each district shall be awarded severity points based on the  
13 annual diesel particulate emissions in the air basin, as determined  
14 by the state board. One point shall be awarded to the district, in  
15 increments, for each 1,000 tons of diesel particulate emissions. In  
16 making this determination, 0 to 999 tons shall be awarded no  
17 points, 1,000 to 1,999 tons shall be awarded one point, 2,000 to  
18 2,999 tons shall be awarded two points, and so forth. If a district  
19 encompasses more than one air basin, the air basin with the greatest  
20 diesel particulate emissions shall be used to determine the points  
21 awarded to the district. The San Diego County Air Pollution  
22 Control District and the Imperial County Air Pollution Control  
23 District shall be awarded one additional point each to account for  
24 annual diesel particulate emissions transported from Mexico.

25 (C) The points awarded under subparagraphs (A) and (B), shall  
26 be added together for each district, and the total shall be multiplied  
27 by the population residing within the district boundaries, to yield  
28 the local air quality exposure index.

29 (D) The local air quality exposure index for each district shall  
30 be summed together to yield a total state exposure index. Funds  
31 shall be allocated under this paragraph to each district in proportion  
32 to its local air quality exposure index divided by the total state  
33 exposure index.

34 (3) The state board shall distribute 30 percent of the allocation  
35 amount to the districts in proportion to the allocation of funds from  
36 the program moneys in the fund, as follows:

37 (A) Because each district is awarded a minimum allocation  
38 pursuant to subdivision (a), there shall be no additional minimum  
39 allocation from the program historical allocation funds. The total  
40 amount allocated in this way shall be subtracted from total funding

1 previously awarded to the district under the program, and the  
2 remainder, which shall be known as directed funds, shall be  
3 allocated pursuant to subparagraph (B).

4 (B) Each district with a population that is greater than or equal  
5 to 1 percent of the state's population shall receive an additional  
6 allocation based on the population of the district and the district's  
7 relative share of emission reduction commitments in the state  
8 implementation plan to attain the National Ambient Air Quality  
9 Standard for ozone averaged over one hour. This additional  
10 allocation shall be calculated as a percentage share of the directed  
11 funds for each district, derived using a ratio of each district's share  
12 amount to the base amount, which shall be calculated as follows:

13 (i) The base amount shall be the total program funds allocated  
14 by the state board to the districts in the 2002–03 fiscal year, less  
15 the total of the funds allocated through the minimum allocation to  
16 each district in the 2002–03 fiscal year.

17 (ii) The share amount shall be the allocation that each district  
18 received in the 2002–03 fiscal year, not including the minimum  
19 allocation. There shall be one share amount for each district.

20 (iii) The percentage share shall be calculated for each district  
21 by dividing the district's share amount by the base amount, and  
22 multiplying the result by the total directed funds available under  
23 this subparagraph.

24 (b) Funds shall be distributed as expeditiously as reasonably  
25 practicable, and a report of the distribution shall be made available  
26 to the public.

27 (c) All funds allocated pursuant to this section shall be liquidated  
28 as provided for in the guidelines adopted pursuant to Section 44287  
29 by June 30 of the fourth year following the year of allocation.  
30 Funds not liquidated within the four years shall be returned to the  
31 state board within 90 days for future allocation pursuant to this  
32 chapter.